



Internet Protocol (IP) Transition Regulation and Competition

**eNATOA Webinar
July 25, 2016**

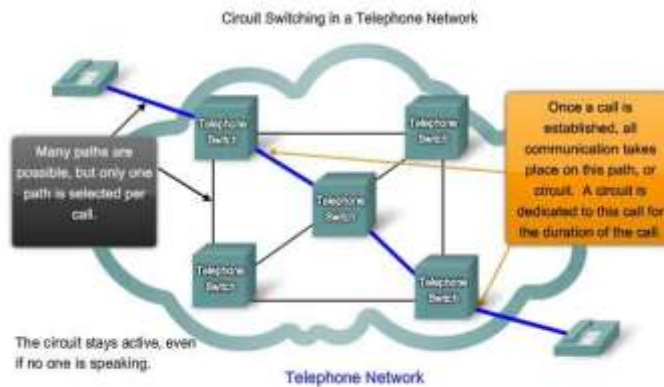
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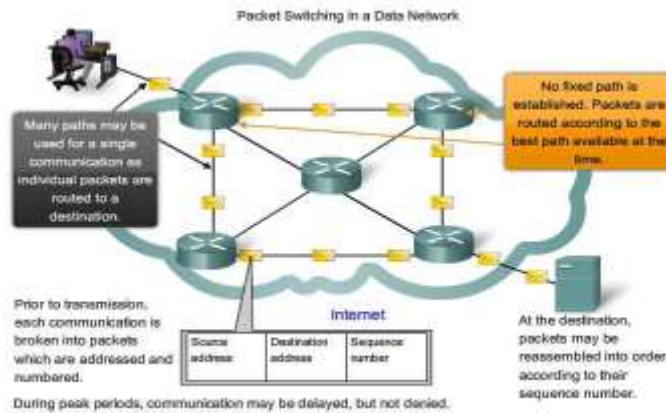
Basic Concepts

- IP transition is about changing how telephone networks work, what they can do
- Plain Old Telephone Service (POTS)
 - Delivered over the Public Switched Telephone Network (PSTN)
 - Using Time Division Multiplexing (TDM)
- Voice over Internet Protocol (IP) and IP-enabled services
 - Delivered over interconnected IP networks
 - Using IP transmission technology

IP Transition: What Is It?



IP Transition: What Is It?



Source: <http://www.highteck.net/EN/Basic/Internetworking.html>

IP Transition means...

- Potentially much more efficient networks
 - carriers claim duplicative systems now being maintained
- Multi-purpose networks
 - not designed just for voice
- A combination of the many different networks
 - Not wireless or wireline but both

IP Transition does **not** mean...

- Internet everywhere
 - IP uses Internet protocol *transmission*, the same way all other Internet traffic is routed
- Networks will function exactly the same
 - Some functions may not work (911, home alarms, medical alerts, faxes, Credit Card machines)
 - Some may require substantially more expensive services
 - May not be as reliable in power outages
- AND – the transition creates significant questions as to carrier rights and regulatory obligations...

Why You Should Be Concerned

- It is happening. There is no going back.
- Local governments will have budgetary and operational impacts
 - As a key customer for reliable services
 - As the front line for public safety
 - As the agency closest to the public, and most concerned about ensuring YOUR community has infrastructure necessary for economic development

The Network Compact

“At this critical juncture, let me be clear about a few things. One, we favor technological innovation. And, two, we affirm the enduring values of the **Network Compact: universal service, public safety, competition and consumer protection.**”

Our challenge is to preserve the values that consumers and businesses have come to expect from their networks, while unleashing new waves of investment and innovation, which will deliver untold benefits for the American people.”

FCC Chairman Thomas Wheeler (FCC 14-5, 2014)

https://apps.fcc.gov/edocs_public/attachmatch/FCC-14-5A2.pdf

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The Network Compact - Competition

- Shared federal and state regulatory oversight
- Historically, where no competition or a dominant carrier, then regulation, e.g.
 - Prices
 - Service quality
 - Carrier of last resort (COLR)
 - Interconnection
 - Unbundled network elements (UNE)

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Key Federal Developments

- January 2014: FCC issued Order (FCC 14-5) seeking proposals for voluntary experiments to test shift from legacy to IP networks in specific geographic areas.
 - Intent is to collect data to determine real-world impacts, with goal of preserving Network Compact.
- July 2016: FCC issued Order (FCC 16-90)
 - Refining Sec. 214 discontinuance notice requirements to include consumer education (like DTV), allow email notice
 - Establishing framework for evaluating requests to discontinue legacy voice service, including a 3-pronged test for determining if a new service qualifies as “adequate replacement” and standards for eligibility for automatic grant of request to discontinue

Key Federal Developments

“Adequate Replacement” Service must demonstrate:

1. Network infrastructure and service quality
 - Substantially similar performance
 - Substantially similar availability
 - Coverage to entire affected geographic service area
2. Access to critical applications and functionalities
 - 911 and emergency services
 - Comparably effective communications security
 - Services for individuals with disabilities
3. Interoperability w/ key applications, functionalities
 - Initial list: fax machines, security alarms, sales terminals, medical monitoring devices, caption telephone sets
 - Will seek comment on others

State Developments

- In a word – deregulation.
- National Regulatory Research Institute’s 2015 report indicates:
 - 38 states have reduced or eliminated telecom regulatory oversight
 - Including all states where AT&T was the primary ILEC
 - 29 states have reduced or eliminated requirement that ILECs serve as COLR using copper-based wireline service
 - COLR obligation only in areas with limited or no competition
 - COLRs may be allowed to use any technology (fixed wireless)
 - Most state regulators have limited or no jurisdiction over VoIP or wireless, IP-enabled services

State Developments

- Continuing to address issues regarding:
 - Discontinuance of traditional services
 - Basic service requirements in areas without competitive providers (including COLR responsibilities)
 - Quality of service and customer complaints
 - Intrastate access, wholesale services, availability and reliability of emergency services
 - Interconnection issues

State Developments

Legislation Reducing Telecommunications Regulation by State, 2010-2015



Source: *Examining the Role of State Regulators as Telecommunications Oversight Is Reduced* (National Regulatory Research Institute (NRR) and Sherry Lichtenberg, 2015)

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Deregulation in 2015

States where COLR Requirements Have Been Relaxed or Eliminated



Source: *Examining the Role of State Regulators as Telecommunications Oversight Is Reduced* (National Regulatory Research Institute (NRR) and Sherry Lichtenberg, 2015)

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What You Should Be Doing

- Follow (participate in) the transition proceedings at state and federal level
 - Will the Network Compact under which providers obtained access to public right of way be maintained? And if not, what are your rights?
- Examine your tax codes, franchise fee provisions and other fee provisions
 - Will they reach the services as they may be redefined or are they technology or location dependent?



Thank you.



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